

Message Text

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PAGE 01 TEHRAN 04686 260728Z

ACTION EB-07

INFO OCT-01 AF-10 ARA-06 EA-07 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 COME-00 EPG-02 DODE-00

FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 FEA-01 /123 W

-----260941Z 050727 /17

R 160556Z MAY 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2800

INFO AMEMBASSY ABU DHABI

AMEMBASSY BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMCONSUL DHAHRAN

AMEMBASSY LAGOS

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E.O. 11652: N/A

TAGS: ENRG IR SA

SUBJ: IMPACT OF ABQAIQ FIRE ON IRANIAN OIL EXPORTS

REF TEHRAN 4441 (NOTAL)

1. IN OBVIOUS RESPONSE TO THE ABQAIQ FIRE, IRANIAN CRUDE OIL PRODUCTION AND EXPORTS ARE NEARLY AT CAPACITY LEVELS. IN VIEW OF REPORTING FROM AMCON DHAHRAN REGARDING FAIRLY MINIMAL IMPACT OF FIRE ON CURRENT AND FUTURE SAUDI CAPACITY, THE SUDDEN SPURT IN IRANIAN EXPORTS MIGHT WELL BE THE RESULT OF PANIC BUYING RATHER THAN AN ACTUAL SCARCITY. THE RESULT, HOWEVER, IS IDENTICAL.

2. DURING FIRST FIFTEEN DAYS OF MAY (SEE REFTTEL), IRAN EXPORTED

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APPROXIMATELY 4.5 MMBPD OF CRUDE -- 2,604 MBPD BY CONSORTIUM TRADING COMPANIES, 1,268 MBPD BY NIOC, AND ABOUT 550 MBPD BY THE JOINT VENTURES. HOWEVER, DURING THE NEXT EIGHT DAYS (MAY 16 - 23), CRUSE EXPORTS BY THE CONSORTIUM AND NIOC INCREASED BY AN AVERAGE OF 1,329 MBPD. DURING THAT EIGHT DAY PERIOD, THE CONSOR- TIUM EXPORTED 3,749 MBPD OF CRUDE AND NIOC AVERAGED 1,453 MBPD. ALLOWING FOR JOINT VENTURE EXPORTS, PRODUCT EXPORTS AND DOMESTIC

CONSUMPTION, IRANIAN CRUDE PRODUCTION MUST BE ABOUT 6.5 MMBPD AT PRESENT. MOREOVER, WE ARE INFORMED THAT THERE IS A LINE OF TANKERS AT KHARG ISLAND WAITING TO LOAD SO CURRENT HIGH LEVELS OF OFF-TAKE SHOULD CONTINUE INTO JUNE AT LEAST.

3. MANY LOCAL INDUSTRY SUOURCES, BOTH NIOC OFFICIALS AND REPRESENTIVES OF FOREIGN OIL COMPANIES, HAVE OVER THE LAST SEVERAL MONTHS BECOME CONVINCED THAT THERE IS AN UNDERSTANDING BETWEEN SAUDI ARABIA AND IRAN (OR PERHAPS BETWEEN SAG AND OPEC ELEVEN) WHICH SERVES TO LIMIT SAUDI PRODUCTION. THOSE PERSONS WHO WILL TAK ABOUT THIS "UNDERSTANDING" GENERALLY ASSUME THAT IT IS MERELY A TACIT AGREEMENT BY SAG TO (A) INCREASE PRODUCTION MORE SLOWLY THAN HAS BEEN OR IS REQUIRED BY FACILITIES, WEATHER, ETC, AND (B) TO EASE OFF IF AND WHEN SAUDI PRODUCTION LEVELS CAUSE REAL DISCOMFORTURE FOR THE UPPER-TIER PRODUCERS.

4. SUCH RUMORS HAVE BEEN FUELED BY WIDESPREAD REPORTS THAT SHEIKH YAMANI VISITED TEHRAN LAST WEEK. EMBASSY HAS BEEN UNABLE TO CONFIRM RUMORED VISIT BUT MANY KNOWLEDGEABLE AND CREDITABLE SOURCES ARE CONVINCED, ON THE BASIS OF SECOND-HAND INFORMATION, THAT YAMANI WAS HERE.

MIKLOS

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